

INSURANCE COUNSELOR

Insurance Consumer Information Sheet

Title Insurance

The purchase of a home or other piece of property usually involves large sums of money; often it is the largest monetary investment most people make. In order to protect your investment, you should consider purchasing title insurance. If you have borrowed money to finance the purchase, the lending institution will probably require you to buy a title insurance policy to protect its interest.

If you have purchased property in the past, you are probably familiar with the title insurance transaction. However, if you are purchasing your first home or property, you may have some questions about title insurance agents and policies.

There are two types of title insurance policies that may be purchased at the time a property changes from one owner to another—an owner's policy and a lender's policy. Both the owner's policy and the lender's policy protect the named insured against an unknown defect in the title of property. A defect in the title could be a construction lien against the property, an unknown or missing heir to the property, forgeries, and errors or omissions in deeds. A defect may mean you could incur additional costs in the future or even lose legal title to the property if the defect is not resolved before you take possession. If you have a title insurance policy, the insurance company will defend your title in court and pay any settlement amount you owe to clear the title, as long as it is a covered item.

Q. What does a title insurance agent do?

- A. Title insurance agents check for defects in your title by examining records on file at the Register of Deeds office. These records may include deeds, mortgages, wills, divorce decrees, court judgments, tax records, liens, and encumbrances. If any problems are found, those items will usually have to be cleared before the mortgage company will loan you the money or allow you to take possession of the property.

At the time of closing the agent should explain the title policy commitment, and any exclusions found on pages numbered Schedule A and B. Once all closing papers are signed and filed, the title commitment provides coverage until the title insurance company issues the actual policy. Title insurance agents also may hold money in escrow and perform closing services for an additional fee.

Q. Who pays for the policy?

- A. Usually the purchaser of the property is required to buy the lender's title insurance policy. This policy only protects the lender's interest. Either the seller or the purchaser can buy the owner's policy. The party who will pay for the owner's policy can be negotiated during the purchasing process. The owner's policy protects you, the new owner of the property, from any defects in the title once you take possession.

Each policy premium is paid only once when the title policy is purchased.

Q. How much insurance should I buy?

A. The lender's policy should cover the amount of the loan. The owner's policy should be in the amount of the full value of the property.

Q. How much will the policy cost?

A. The premium is based on the amount of insurance you need to purchase. Most title insurers have a minimum amount they charge for any policy. The premium amount increases as the amount of coverage purchased increases.

Q. Where do I complain if I believe the agent or the company is not treating me fairly or handling my escrow in the proper manner?

A. If you believe the agent or the company is not following standard business practices, you can report the activity to the Office of Financial and Insurance Services (OFIS) at the toll free number: 1-877-999-6442.

Things to watch for when purchasing a title insurance policy:

- ❑ Never pay the premium in cash.
- ❑ You may choose the title company you want. You don't have to use the company chosen by the lender or realtor. However, you should notify the lender when you apply for the loan that you want to select your own title insurer.
- ❑ Read and understand the terms of the insurance contract, including any items

the policy may not pay if there is a problem. These items are referred to as exclusions in the policy.

- ❑ Make sure the name of the insurance company and the title insurance agency appear on any legal documents in case you need to file a claim or file a complaint in the future.
- ❑ You should receive a finalized copy of the policy once all legal papers have been filed at the Register of Deeds office, often within 60 days of the closing.
- ❑ Discounts on the premium may be available if both policies are purchased from the same title insurance company or you are refinancing your loan. Always ask for information about discounts.
- ❑ Be sure to check that the title policy amount is correct.
- ❑ Be sure to check the effective date of the policy to make sure it goes into effect the day you become the legal owner of the property.
- ❑ Be sure the policy correctly describes all the property being acquired.

If you have more questions about title insurance policies, you can contact our office at our toll free number: 1-877-999-6442.